

Opening Statement of the Honorable Cliff Stearns
Chairman, Subcommittee on Oversight and Investigations
“Solyndra and the DOE Loan Guarantee Program”
September 14, 2011

(As Prepared for Delivery)

We convene this hearing of the Subcommittee on Oversight and Investigations to examine the involvement of the Department of Energy and the White House Office of Management and Budget in the review, approval, and subsequent restructuring of the \$535 million loan guarantee to Solyndra.

The Obama Administration has repeatedly touted its green energy plan as the savior of our faltering economy. Solyndra was the first loan guarantee issued by the Obama Administration using stimulus dollars. Administration officials held out the company as a glowing example of how the stimulus was creating jobs and invigorating the economy. However, just two years after receiving this half of a billion dollar loan guarantee, and six months after DOE restructured the terms of the deal, Solyndra has closed its doors, laid off over a thousand workers, and filed for bankruptcy. Last week, FBI agents raided the facility.

One of our witnesses today, Mr. Silver, attempts to claim in his written testimony that the Bush Administration is equally at fault for approving Solyndra and that Solyndra was a train ready to leave the station when President Obama took office. In reality, on January 9, 2009—at the end of the Bush Administration—the DOE Credit Committee voted against offering a conditional commitment to Solyndra, saying that the deal was premature and questioning its underlying financial support. Only after the Obama Administration took control, and the stimulus passed, was the Solyndra deal pushed through.

We have been asking questions for almost seven months about this deal. We have gathered documents from the Department of Energy. In a party-line vote, the Committee was forced to subpoena OMB in July in order to get even basic information showing their role in the Solyndra deal. Committee Democrats have questioned the basis of our investigation, and accused the Committee of engaging in a fishing expedition and abusing our subpoena power. But what the Committee’s review of these documents clearly shows is that we were right all along to ask questions about this loan. It should not take a financial restructuring, bankruptcy, and FBI raid for my colleagues on the other side of the aisle to put politics aside and join us in our efforts.

The documents demonstrate that, when DOE was reviewing the Solyndra guarantee in 2009, it was well aware of the financial problems the deal posed. What the documents also show is that the rush to push out stimulus dollars may have impacted the depth and quality of DOE and OMB’s review. In fact, the White House had scheduled Vice President Biden’s and Secretary

Chu's appearances at Solyndra's groundbreaking event prior to DOE even making its final presentation to OMB on the terms of the Solyndra deal. An email from a senior OMB staff member to the Office of the Vice President sums up this disturbing revelation. In it, he states "We have ended up with a situation of having to do rushed approvals on a couple of occasions...we would prefer to have sufficient time to do our due diligence reviews and have the approval set the date for the announcement rather than the other way around."

Only six months after the loan closed, Solyndra's financial troubles became increasingly severe. In March 2010, an independent auditor issued a report stating that "the Company has suffered recurring losses from operations, negative cash flows since inception and has a net stockholders' deficit that, among other factors, raise substantial doubt about its ability to continue as a going concern." Nonetheless, President Obama visited Solyndra in May and proclaimed "the true engine of economic growth will always be companies like Solyndra."

Just one year after the loan closed, Solyndra was almost out of cash. In late Fall of 2010, DOE began negotiations with Solyndra and two of its main investors about restructuring the loan in order to keep the company afloat. Under the restructuring agreement, Solyndra's private investors were given priority over the government with regard to the first \$75 million recovered in the event of liquidation. Documents reviewed by Committee staff raise concerns about whether this deal was better for the taxpayer. These concerns are spelled out in an email between OMB staff in late January 2011, which notes that "while the company *may* avoid default with a restructuring, there is also a good chance it will not...at that point, additional funds would have been put at risk, recoveries *may* be lower, and questions will be asked..."

We are here today to ask those very questions and more. If Solyndra really is the "litmus test for the loan guarantee program's ability to fund good projects quickly," as DOE's stimulus advisor called it in an email to DOE officials, I am very concerned about where the \$10 billion DOE has left to spend before the September 30 deadline is going.